

JUMP START YOUR DREAMS

Unit 5



BUILD YOUR TIMELINE

Your early exit plans depend on your dreams and your timeline. Let's start by building your timeline. If you are doing this as a couple, make sure you are both on the same page.

	Me	My Partner
Current Age		
At what age would you like to leave the workforce?		
At what age would you like to tap into your retirement funds?		

NOTE: Under most retirement plans, you can begin making withdrawals without tax penalties when you reach age 59-1/2.

Sketch out a withdrawal plan

In order to create a personalized investment strategy, you should think about what funds you will withdraw and when. While you can withdraw retirement funds early, most people who leave the workforce early save these funds for last. Instead, they rely on taxable funds and/or income streams to support their lifestyle during the gap between full-time work and retirement age. Here are three examples to get you started.

Example 1: Ginny's Phased Exit

Ginny is 35 years old. She is planning a phased exit from the workplace. In twelve years, Ginny expects the last of her two children to graduate from college. At that time, she plans to downsize to a condo and cut her hours at the office. Ideally, she would like to leave the workforce for good when she is 52 years old.

Ginny's Phased Exit				
Age 35 - 47	Age 48 - 52	Age 52 - 60	Age 60 - 70	Age 70 and beyond
Work full-time	Work part-time (get benefits)	Tap into taxable accounts; use HSA to pay health insurance premiums	Withdraw traditional 401K	Collect Social Security, withdraw Roth IRA
Key Events				
Independent kids	Downsize from house to condo			

Example 2: Ron's Early Retirement

Ron is 28 years old and wants to retire by the age of 40. His idea of early retirement includes plenty of travel. He thinks he can save enough money so that he doesn't have to bring in any passive income after he leaves the workforce.

Ron's Early Retirement			
Age 28 - 39	Age 40 - 59	Ages 60 - 70	Age 70 and beyond
Work full-time	Live off of taxable investments; use Roth ladder	Withdraw traditional 401K	Collect Social Security, withdraw IRA

Example 3: Belinda's Real Estate Adventure

Belinda is 30 years old. She purchased a duplex and lives in one unit; she rents the other. The rental income pays for most of her mortgage. Belinda plans to invest in rental properties to support her early escape from the workforce. Ideally, she would love to escape by age 37. Belinda envisions two phases of her early retirement. She plans to live off of her rental income for the first ten years. Then she plans to sell some of her properties, which will allow her to diversify her investments and give her extra cash to travel more frequently.

Belinda's Real Estate Adventure				
Age 30 - 37	Age 38 - 48	Age 48 - 60	Age 60 - 70	Age 70 and beyond
Work full-time	Live off of rental property income	Rental property income + taxable accounts	Withdraw traditional 401K	Collect Social Security, withdraw Roth IRA
Key Events				
Invest in rental properties		Sell a few properties		

Your turn: Describe your game plan and sketch your timeline.

Here's my plan:

My Timeline				
Age	Age	Age	Age	Age
Work full-time				
Key Events				